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Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: special economic assistance to individual countries or regions

Economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions on the Federal Republic of Yugoslavia

Report of the Secretary-General

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I. Introduction

1. In its resolution 51/30 A of 5 December 1996, the General Assembly expressed concern at the persisting special economic problems confronting States in the period following the lifting of the sanctions, in particular the States that border the Federal Republic of Yugoslavia, the other Danube riparian States and all other States affected by the consequences of the severance of their economic relations with the Federal Republic of Yugoslavia and the disruption of traditional transport and communication links in that part of Europe during the period when the sanctions were in force, and reaffirmed the need for a continuing concerted response from the international community to deal in a more effective manner with the special economic problems of the affected States.

2. In the same resolution, the General Assembly renewed its invitation to the international financial institutions to continue to pay special attention to the economic problems of the affected States and to consider ways and means for mobilizing and providing resources for mitigating the continuing negative impact of the consequences of the sanctions on those States. The Assembly renewed its request to the competent organs, programmes and United Nations specialized agencies to take into consideration the special needs of the affected States in programming their development activities and to consider the provision of assistance from their special programme resources. The Assembly renewed its appeal to all States to provide technical, financial and material assistance to the affected States in the period following the lifting of the sanctions to mitigate the continuing adverse impact of the sanctions on their economies. The Assembly encouraged the affected States of the region to continue the process of multilateral regional cooperation, in such fields as the realization of cross-border infrastructure projects and promotion of trade and investment, thus alleviating the adverse impact of the sanctions.

3. Also in that resolution, the General Assembly urged the organizations and specialized agencies of the United Nations system and other organizations involved to take appropriate steps in order to broaden access for suppliers, particularly from the affected States, to participate actively in the post-conflict reconstruction and rehabilitation of the former Yugoslavia. The Assembly requested the Secretary-General to take all appropriate measures to increase the opportunity for the affected countries to participate actively in the post-conflict reconstruction, rehabilitation and development of the former Yugoslavia. The Assembly also requested the Secretary-General to continue to seek, on a regular basis, information from States, regional organizations and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the affected States in the period following the lifting of the sanctions, and to submit a report on the implementation of the resolution to the Assembly at its fifty-second session. The present report was prepared in response to that request.

II. Action taken by the Security Council

4. The previous reports of the Secretary-General on the subject (A/48/573, A/49/356, A/50/423 and A/51/356) provided detailed information on the actions taken by the Security Council and its subsidiary bodies during the period from April 1993 to August 1996 in response to requests for assistance, under the provisions of Article 50 of the Charter of the United Nations, received from eight States (Albania, Bulgaria, Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia, Uganda and Ukraine) affected by the implementation of sanctions imposed on the Federal Republic of Yugoslavia. The reports also reviewed the relevant decisions adopted by the Security Council and its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia with regard to the sanctions regime and its administration, particularly those measures that had a direct or indirect bearing on the neighbouring and other affected countries. Further pertinent steps taken by the Council and the Committee since September 1996 until the termination of the sanctions and of the activities of the Committee are outlined below.

5. By its resolution 1074 (1996) of 1 October 1996, the Security Council decided to terminate, with immediate effect, the measures suspended under the terms of its resolution 1022 (1995) of 22 November 1995 (that is, the set of mandatory sanctions imposed on the Federal Republic of Yugoslavia).[1] By the same resolution, the Council also decided to dissolve its Committee established pursuant to resolution 724 (1991) concerning Yugoslavia, once its report had been finalized. The Committee, having adopted its final report on 15 November 1996, was dissolved in accordance with paragraph 6 of Council resolution 1074 (1996).

6. By a letter dated 24 September 1996 (S/1996/776), the Chairman of the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia transmitted to the President of the Security Council the report of the Copenhagen Round Table on United Nations Sanctions in the Case of the Former Yugoslavia, held at

Copenhagen, on 24 and 25 June 1996, under the auspices of the Organization for Security and Cooperation in Europe (OSCE). The report was presented to and considered by the Committee at its 142nd meeting, on 19 September 1996. At that meeting, members of the Committee expressed appreciation for the report, which was recognized as providing useful information on lessons learned from the Yugoslav sanctions experience on the basis of views expressed by representatives and experts from 29 countries, as well as from the United Nations Secretariat, humanitarian agencies, the European Union, OSCE, the North Atlantic Treaty Organization, the Western European Union and the Danube Commission, who were directly involved in various aspects of the implementation of the sanctions and had participated in the Round Table. The Committee noted with interest various proposals and suggestions contained in the report. In its recommendations with regard to Article 50 of the Charter of the United Nations, the Round Table took note of the fact that this issue was currently being discussed by the General Assembly, and observed that the development of a mechanism for addressing the problems of third States affected by sanctions measures could further enhance the effectiveness of the sanctions regime (S/1996/776, annex, para. 88).

7. Under cover of a letter dated 15 November 1996 (S/1996/946), the Chairman of the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia transmitted to the President of the Security Council the third and final report of the Committee, containing a concise account of its work since 1993 until the termination of sanctions and a number of recommendations regarding the refining of the instrument of sanctions with a view to increasing its effectiveness as a peaceful means of conflict management and preventive action and minimizing its collateral humanitarian effects. In paragraph 42 of the report, the Committee referred to the actions taken by the Committee with regard to applications under Article 50 of the Charter that had already been covered in the reports of the Secretary-General on economic assistance to States affected by the implementation of sanctions (A/48/573, A/49/356, A/50/423 and A/51/356). In paragraph 84 of the report, the Committee, in its observations and recommendations, "recognized that mitigating the adverse effects of sanctions on third countries is a serious issue that needs to be carefully considered in implementing economic sanctions".

III. Information regarding economic assistance to the affected States

8. Pursuant to General Assembly resolution 51/30 A, a note verbale from the Secretary-General was circulated to Governments on 26 March 1997, inviting them to communicate information on the matter. In addition, the competent organs, programmes and specialized agencies of the United Nations system, including the international financial institutions, as well as the regional organizations concerned, were invited to provide updated information on the activities undertaken by them on behalf of the neighbouring and other affected countries,[2] in response to the relevant provisions of the resolution. Substantive features of the replies received are summarized below.

A. Communications received from States

9. As at 1 October 1997, the Secretary-General had received replies to the note verbale from seven Member States, namely, Bulgaria, Ecuador, Estonia, France, Germany, Japan and Ukraine, as well as from the observer of the Holy See. In addition, Greece addressed a special communication to the Secretary-General concerning, *inter alia*, the issues referred to in General Assembly resolution 51/30 A, as outlined below.

1. Affected countries

10. By a note verbale dated 15 September 1997 (A/52/395), the Permanent Mission of Bulgaria to the United Nations transmitted to the Secretary-General a communication from the Government of Bulgaria on the implementation of General Assembly resolution 51/30 A, in which it was pointed out, *inter alia*, that, as a country with an economy oriented 80 per cent towards foreign markets, Bulgaria has been extremely vulnerable to the negative side effects of the Security Council resolutions imposing sanctions on the Federal Republic of Yugoslavia. According to Bulgarian experts, the total amount of losses sustained by the Bulgarian economy owing to the strict implementation of the sanctions was estimated to exceed $8 billion. A substantial part of those losses resulted from the disruption of the traditional commercial route for Bulgarian exports to central and western Europe through Yugoslav territory, which caused a considerable scaling-down of economic relations with countries from that part of the continent. After the lifting of the sanctions the special economic problems resulting from the implementation of the sanctions regime coupled with the ongoing process of the difficult transition

from a centrally planned economy to a market economy continued to exert a negative impact on the overall social and economic situation in Bulgaria.

11. In the view of Bulgaria, the period of implementation of the sanctions has shown the lack of preparedness of the international community to respond in an adequate manner to difficulties and unforeseen negative consequences for third States neighbouring the target country. Bulgaria has not received adequate financial and technical assistance as compensation for its losses resulting from the implementation of the international sanctions regime. Bulgaria would appreciate the assistance rendered to companies from affected States in order to enable them to take part in the post-conflict reconstruction of Bosnia and Herzegovina. Bulgaria would also welcome projects aimed at improving the regional infrastructure, including long-term transport infrastructure projects. Bulgaria shared the opinion that the international community should show political will for the establishment of a complex and effective mechanism for overcoming the adverse impact of sanctions on seriously affected third States that comply strictly with the relevant United Nations resolutions.

12. By a letter dated 26 June 1997 (A/52/217-S/1997/507), the Permanent Representative of Greece to the United Nations transmitted to the Secretary-General the Thessaloniki Declaration on Good-Neighbourly Relations, Stability, Security and Cooperation in the Balkans, adopted at the meeting of the Ministers for Foreign Affairs of Countries of South-eastern Europe, held at Thessaloniki, Greece, on 9 and 10 June 1997. In the area of economic development, the Declaration puts particular emphasis on further development of bilateral, multilateral and regional cooperation in such sectors as promotion of trade and investment, cross-border cooperation, and transport, telecommunications and energy infrastructure. The Ministers reaffirmed, *inter alia*, that the rapid construction of the 10 pan-European transport corridors, taking due note of all relevant projects, measures and proposals, was an essential factor for the development of the whole region. The importance of interaction and coordination with other initiatives for regional cooperation, such as the Royaumont Initiative of the European Union, the South-east European Cooperative Initiative, the Black Sea Economic Cooperation and the Central European Initiative, was also emphasized.

13. In the response by the Government of Ukraine regarding the implementation of General Assembly resolution 51/30 A, it was stated, *inter alia*, that Ukraine was one of the States most seriously affected by the implementation of the Security Council resolutions imposing sanctions on the Federal Republic of Yugoslavia. As a result of the sanctions, the Ukrainian economy has suffered and continues to suffer considerable losses; this has exacerbated the socio-economic situation of the country, which is currently in transition from a planned to a market economy. The consequences have been even more significant for a number of branches of industry that have traditionally had close economic ties to the region. Ukrainian experts estimate that the country has incurred direct losses totalling some $4.5 billion over the period of implementation of the Security Council resolutions in question.

14. The Government of Ukraine considers that General Assembly resolutions on economic assistance to the affected States have not been properly implemented, at least insofar as Ukraine is concerned. Ukraine has not received adequate technical, financial or material assistance as compensation for its losses. Nor can Ukraine point to any progress in adopting measures to provide affected countries with greater opportunities to participate actively in the post-conflict reconstruction, rehabilitation and development of the former Yugoslavia. Ukraine believes that the international community should show political will for the establishment of a complex and effective mechanism for overcoming the adverse consequences for countries that conscientiously comply with the collective measures undertaken on behalf of the entire United Nations. Therefore, the Government of Ukraine considers that the issue of economic assistance to the affected States should remain on the agenda of the General Assembly.

2. Donor countries

15. The donor and other countries that replied to the Secretary-General's note verbale shared, in general, the concern about the persisting special economic problems of States adversely affected by the consequences of the severance of their economic relations with the Federal Republic of Yugoslavia and the disruption of traditional links in the region. Most of the countries recognized, in principle, the need to provide assistance to the affected States in the period following the lifting of the sanctions to mitigate the continuing adverse effects of the sanctions on their economies, as well as the difficulties of the economic transformation process. Several States (France, Germany and Japan) provided specific information on their financial and technical assistance to the countries in question. In addition, Ecuador reported structural data on its bilateral trade with the affected countries. Estonia expressed the view that the international community should develop a sound methodology for evaluating the losses suffered by the affected States and establish a reliable and transparent procedure for assisting those States. The Holy See paid

particular attention to the humanitarian and ethical aspects of sanctions, with a view to alleviating the distress suffered by civilian populations that were either directly or indirectly affected by the imposition of such measures.

16. While France has not provided any direct compensation for the effects of sanctions on the countries neighbouring the Federal Republic of Yugoslavia, it has nevertheless contributed to alleviating the special economic problems of the affected States and to promoting sustainable development in the region. Financing at the bilateral level of technical cooperation projects in the affected countries amounts to 60 million francs annually. In addition, France has provided assistance to the countries in question through its participation in the European Union's assistance programmes such as PHARE (Pologne-Hongrie: Assistance à la restructuration économique) and in operations of the European Investment Bank.

17. Germany has reported that the Federal Government is actively supporting the political and economic reform process in central and eastern Europe, thus assisting in the economic recovery of the affected countries and indirectly helping them to overcome the problems arising as a result of the sanctions. An important role is played in this regard by the Federal Government's Transformation Programme and the complementary Consultancy Programme which provide advisory services in various areas (e.g. privatization, legal and economic reform, social policy and small and medium-sized businesses). Development assistance is provided to Albania and the former Yugoslav Republic of Macedonia, including financial and technical assistance for major infrastructure projects (e.g., the railroad link between the former Yugoslav Republic of Macedonia and Bulgaria and expansion of Tirana airport).

18. German support for the reform process in the countries of central and eastern Europe (excluding the Commonwealth of Independent States) totalled some 56.5 billion deutsche mark over the period from 1990 to 1996. Of this total, some DM 20.8 billion was provided to six countries adjacent to the Federal Republic of Yugoslavia, namely, Albania (DM 805.4 million), Bulgaria (DM 2,932.8 million), Croatia (DM 1,588.4 million), Hungary (DM 10,023.8 million), Romania (DM 5,056.3 million) and the former Yugoslav Republic of Macedonia (DM 392.7 million). This amount includes DM 8.8 billion as Federal Government guarantees (for Hermes Export Credits, investments and untied financial credits), DM 3.8 billion as the German contribution to assistance programmes of the European Union and DM 5.4 billion of funds from the so-called Transferable Rouble Account. In addition, bilateral assistance provided to the six affected countries since 1990 totalled some DM 701 million.

19. Japan reported on its major activities since 1995 to provide economic assistance to five affected countries, namely, Albania, Bulgaria, Hungary, Romania and the former Yugoslav Republic of Macedonia. While those activities have not necessarily been undertaken in response to General Assembly resolution 51/30 A, the Government of Japan was of the view that they contribute in an effective manner to economic recovery in the affected countries, thus alleviating the effects of implementation of the sanctions.

20. Japan provided financial and material assistance to Albania (a grant of 300 million yen to increase food production in 1996, and emergency food aid and medical equipment valued at $670,000 in 1997, and two loans of 1,681 million yen and 3,124 million yen in 1995 and 1996, respectively, to improve electric power networks), to Bulgaria (a loan of 8,036 million yen for two projects to reduce industrial pollution in 1995 and a grant of 22 million yen for emergency food aid in 1997), to Hungary (two commercial credits of $100 million to foster small and medium-sized enterprises in 1995 and $50 million for the Export-Import Bank in 1996) and to the former Yugoslav Republic of Macedonia (two grants of 500 million yen each in 1995 and 1997 for non-project purposes, medical equipment valued at 550 million yen in 1995 and at 593 million yen in 1997, and grass-roots grants in the amount of 30 million yen for six projects). Technical assistance was rendered to the five affected countries in such forms as accepting trainees, dispatching experts and needs assessment missions, holding exhibitions and providing advisory services for project formulation and implementation.

B. Response of the United Nations system

21. As at 1 October 1997, a total of 10 organizations of the United Nations system had provided updated information on their assistance activities in the affected States. Replies were received from the following specialized agencies: Food and Agriculture Organization of the United Nations (FAO), World Health Organization (WHO), World Bank, International Monetary Fund (IMF) and United Nations Industrial Development Organization (UNIDO). Several United Nations programmes and funds, including the United Nations Children's Fund (UNICEF), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Food Programme (WFP) and the Office of the United Nations High Commissioner for Refugees (UNHCR) also responded. The replies received from those components of the United Nations system indicate that all of them have

continued to provide development support to the affected countries in the period following the lifting of the sanctions. Such activities have contributed to economic and social well-being in the recipient countries and have thus indirectly offset some of the special economic problems resulting from the sanctions. However, in most instances, the activities were not directly related to the consequences of the sanctions and, for that reason, are not fully reflected in the following section of the report. The section focuses primarily on balance-of-payments support, transport and infrastructure development and assistance in trade and investment promotion provided to the neighbouring and other affected countries, thus alleviating their economic difficulties.

1. Food and Agriculture Organization of the United Nations

22. FAO is currently implementing 30 technical assistance projects in seven affected countries — Albania (5), Bulgaria (2), Hungary (1), Romania (2), Slovakia (4), the former Yugoslav Republic of Macedonia (1) and Uganda (15) — in such subsectors as crop development, livestock, fisheries, forestry, food policy, agricultural support systems, nutrition, rural development and natural resources management. In total, such assistance amounts to $19.7 million, of which $4.3 million is funded from the FAO Technical Cooperation Programme, $12.3 million from bilateral sources and $2.7 million from other multilateral sources. In addition, the FAO Investment Centre has assisted in the identification and preparation of investment projects in several affected countries (e.g., Albania, the former Yugoslav Republic of Macedonia and Uganda) for funding by the World Bank and regional development banks. Moreover, the FAO Global Information and Early Warning System has undertaken continuous monitoring and regular reporting on the food supply/utilization situation and outlook in the affected countries. Specific activities in 1997 include food needs/supply assessment missions dispatched to Bulgaria and Uganda, and a special food alert issued for Albania.

2. World Bank

23. The World Bank has been carrying out wide-ranging assistance activities in the countries of central and eastern Europe affected by the sanctions against the Federal Republic of Yugoslavia. Those activities encompass such areas as development of private enterprises and commercial banks, improvement of infrastructure links with neighbouring countries, alleviation of balance-of-payments problems, and support to social safety nets, including health, education and employment policies.

24. In Albania, the Bank has supported improvements in infrastructure for the development of formal trade, such as roads and ports. This included reconstruction of the East-West corridor, through the transport and infrastructure credit for 18 million special drawing rights (SDRs) (approved in May 1993) and the national roads credit for SDR 25 million (approved in June 1996). The Bank's lending programme in the country is currently being reviewed in the light of recent social and political developments.

25. In Bosnia and Herzegovina, the Bank continued to follow an assistance strategy aimed at jump-starting economic activity through support of a wide range of economic sectors. In the first half of 1996, the Bank supported a series of immediate assistance programmes that were financed from a special $150 million trust fund. Seven emergency operations, approved in February-May 1996, included rebuilding government institutions and funding a line of credit to small business, as well as supporting rehabilitation in the agriculture, water and sanitation, transport, health, education and heating sectors. Since the beginning of regular Bank lending to the country in June 1996, $207.6 million from International Development Association (IDA) resources have been committed to support nine additional operations focused on landmine clearing, electric power reconstruction, repairs to housing, hospitals and schools, establishment of a guarantee facility for industry, recovery of employment through public works, retraining and loans to microbusiness. In September 1996, the Bank approved a transition assistance credit in order to support the initial phase of the Government's macroeconomic and institutional reforms. The International Finance Corporation (IFC) has also committed $2 million to an equity fund and $0.7 million for a microbusiness project. At the end of June 1997, contracts signed using Bank-administered funds totalled 1,753, for a value of $283 million. In late 1997 and beyond, the Bank's assistance strategy in the country will shift the emphasis from emergency reconstruction to ensuring sustainability and the medium- to long-term viability of policies and investments. Significant donor resources will be needed over the next several years.

26. In Bulgaria, Bank assistance in the past year focused on balance-of-payments support, enterprise restructuring and private-sector development. A $30 million rehabilitation loan and a $40 million critical imports rehabilitation loan were approved in August 1996 and in May 1997, respectively, to ease social tension and economic deprivation resulting from the economic restructuring programme. An enterprise sector adjustment loan is currently in preparation and will focus on macroeconomic stabilization, enterprise

financial discipline, privatization and overcoming insolvency of the banking sector.

27. In Hungary, the Bank supported the Government's stabilization programme of March 1995, and its posterior consolidation, with a $7.8 million public finance management project and a $225 million enterprise and financial sector adjustment loan (approved in March 1997). In addition, a public sector reform project is currently in preparation.

28. In Romania, Bank lending has focused on facilitating private enterprise development (through a $280 million financial and enterprise sector adjustment loan approved in January 1996) and to a lesser extent on infrastructure improvement (through power sector, transport and railway rehabilitation projects). In the near future, the Bank will provide support to the new Government's actions towards macroeconomic stabilization.

29. In the former Yugoslav Republic of Macedonia, an exceptional allocation of concessional IDA resources was made available for quick-disbursing operations in balance-of-payments support and investment programmes. Thus, retroactive financing was provided for a transit facilitation project (a $24 million IDA credit approved in April 1995) to upgrade essential infrastructure and improve border crossings with Albania and Bulgaria on the East-West corridor. New commitments equivalent to $60 million were made in July 1996 and May 1997, including two operations in support of private-sector activities.

3. International Monetary Fund

30. Since the beginning of 1995, all eight countries invoking Article 50 of the Charter of the United Nations in connection with the sanctions against the Federal Republic of Yugoslavia — Albania, Bulgaria, Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia, Uganda and Ukraine — have made use of Fund resources in support of programmes aimed at addressing their balance-of-payments difficulties. From June 1996 to June 1997, the Fund approved additional financial assistance for Bulgaria, Romania and the former Yugoslav Republic of Macedonia totalling $1.3 billion. Resources were committed under new standby arrangements (total access $623.3 million) and under the Compensatory and Contingency Financing Facility ($149.4 million) for Bulgaria; a new standby arrangement for Romania ($418.5 million); and under the Enhanced Structural Adjustment Facility for the former Yugoslav Republic of Macedonia ($75.7 million).

31. From May 1992 to June 1997, total Fund disbursements to the eight affected countries amounted to $4.1 billion, an increase of $1.2 billion over the past year. Most of the affected countries were eligible for drawings under special Fund facilities, such as the Enhanced Structural Adjustment Facility (Albania ($43.1 million), the former Yugoslav Republic of Macedonia ($12.6 million) and Uganda ($167.3 million)); the Compensatory and Contingency Financing Facility (Bulgaria ($149.4 million)); and the Systemic Transformation Facility (Bulgaria ($161.3 million), Romania ($261.7 million), Slovakia ($178.7 million), the former Yugoslav Republic of Macedonia ($34.4 million) and Ukraine ($692.2 million)). Moreover, a total of $1.6 billion in additional or remaining amounts has already been approved by the Fund's Executive Board, and can be disbursed when the timetable and conditions specified under the arrangements have been met.

32. In providing financial assistance to the affected countries, the Fund has continued to take into account, *inter alia*, the strength of their economic policies and their balance-of-payments needs, including estimates of the adverse effects of the sanctions. As with all its members, the Fund also continues to assist the affected countries through policy advice and technical assistance, as appropriate, to help them overcome remaining economic difficulties.

4. United Nations Industrial Development Organization

33. UNIDO has been implementing a number of technical assistance projects for the promotion of investments, enhancement of employment opportunities and development of private enterprises in the affected countries of the region. Those activities are financed from UNIDO resources, UNDP funds, trust funds and special purpose contributions to the Industrial Development Fund. Salient examples of recent and current operations in the area include the organization of technology markets or business forums for small- and medium-sized industries in Slovakia and Ukraine, establishment of industrial subcontracting and partnership exchanges in the Czech Republic and Slovakia, the setting up of business promotion and development centres in Romania and Slovenia, national institutional capacity-building and preparation of an "investor's guide" for Albania, the former Yugoslav Republic of Macedonia and the Republic of Moldova. In addition, UNIDO has provided emergency assistance to the "Klas" cereal-processing complex in Bosnia and Herzegovina, and timber-frame building technology and 2,000 basic housing units as emergency shelter in Croatia.

5. United Nations Conference on Trade and Development

34. Several affected countries have benefited from UNCTAD technical assistance programmes in the area of trade and investment promotion. The UNCTAD Automated System for Customs Data has recently been installed in Hungary, Romania, Slovakia, the former Yugoslav Republic of Macedonia and Uganda. Within the UNCTAD Global Trade Point Network, national trade points are being established in Bulgaria, Hungary, Romania, Slovakia and Uganda, with a view to enhancing their participation in international trade. UNCTAD's computer-based technical cooperation package, the Debt Management and Financial Analysis System, is being installed in Romania, Uganda and Ukraine. Training programmes for managers responsible for international and maritime trade are being carried out in Romania.

35. In addition, UNCTAD assisted the Albanian Centre for Foreign Investment Promotion in the preparation of three sector studies which were presented at the third International Conference on Foreign Direct Investment Promotion, held at Tirana in November 1996. The project continued in the current year to provide training in investment promotion to senior officials through in-house workshops and overseas study tours.

6. United Nations Development Programme

36. UNDP has continued with its regional project providing assistance to improve alternative land routes around the Federal Republic of Yugoslavia, thus helping to minimize the adverse consequences of sanctions on neighbouring countries. The last of the outstanding works under this project, the facilities at the border between Bulgaria and the former Yugoslav Republic of Macedonia, are under way. However, already completed works on the Albanian side of its border with the former Yugoslav Republic of Macedonia and the port of Dürres sustained heavy damage during the recent crisis in Albania.

37. The Country Cooperation Framework for Bosnia and Herzegovina was approved in May 1997. The UNDP programme strategy focuses resources available for contributing to the reconstruction process in the country on three groups of projects: (a) integrated, multisectoral, area-based development projects; (b) sectoral assistance projects; and (c) policy and advisory support projects. By introducing a multi-ethnic, community focus to the assistance process, and by promoting local ownership of development, the UNDP programme has elicited wide support, in particular from donors. To date, more than $24.8 million in both core and non-core resources has been programmed in the country.

38. The Country Cooperation Framework for Croatia was approved in March 1997. The centrepiece of UNDP assistance to the country is a multisectoral area development project operating in Sibenik County and in three municipalities in Western Slavonia. The project aims to meet needs in the fields of employment, production, agriculture, health and community infrastructure using a participatory area development approach. Based on a similar approach, a project is currently being formulated for Eastern Slavonia funded by a $2 million contribution from Belgium.

39. The Country Cooperation Framework for the former Yugoslav Republic of Macedonia was approved in September 1997. Areas identified for programming are education, support to small- and medium-sized enterprises, environment and reform of the social sector. The Government has allocated a portion of its independence bonus for the establishment of a programme support unit in the country.

40. UNDP has taken into consideration the special needs of other affected countries, namely, Bulgaria, Hungary, Romania, Slovakia and Ukraine, in the development strategies outlined in the respective country cooperation frameworks approved in 1997. Given the recent political developments in Albania, most UNDP-assisted projects in the country have been halted and are currently being reviewed.

C. Follow-up to regional initiatives and assistance arrangements

41. The Special Ad Hoc Meeting of Senior Officials, convened by the Conference on Security and Cooperation in Europe at Vienna in early 1994, resulted in a viable approach to supporting, at the bilateral and multilateral levels, several important infrastructure projects in the affected countries and integrating them into a longer-term regional perspective of economic development (see A/49/356, paras. 68-75). Updated information on the implementation of the donor commitments reached at the Vienna meeting and its follow-up, provided by the European Union and the European Bank for Reconstruction and Development (EBRD), is summarized below.

1. European Union

42. The European Union has continued to support, mainly through the PHARE budget, the activities related to border-

crossing infrastructure and customs facilitation in the Balkan region. It should be recalled that budget allocation for 1995 (ECU 83.5 million) for border-crossing infrastructure projects in the region was somewhat lower than it had been in 1994 (ECU 98.4 million). However, this should be seen in the light of the improved situation in terms of reduced waiting time (on the average, from 12 to 3 hours) at the most important border crossings, which clearly indicates that the previous infrastructural investments have had positive results. Infrastructure projects financed under the 1995 budget were, to a large extent, a continuation of projects initiated in previous years for road rehabilitation and upgrading, border-crossing modernization and supply of customs control and communication equipment in Albania, Bulgaria, Hungary and Romania (see A/50/423, para. 64). In 1996, the European Union developed a regional approach in order to facilitate the development of good-neighbourly relations between the countries of the region. Since 1996, the Technical Assistance for the Commonwealth of Independent States (TACIS) programme has also been in a position to finance small-scale investments in infrastructure projects under its yearly ECU 30 million cross-border cooperation programme.

43. In follow-up to European Union activities during the previous reporting period (see A/51/356, paras. 56-57), it has been agreed that the measures to ease the border-crossing bottlenecks could be financed through the PHARE Transit Facilitation and Customs Modernization Programme, which has a total budget of ECU 91 million for the period 1995-1999. In addition, under a separate programme, by the end of 1996, customs equipment worth about ECU 2 million was delivered to several countries involved in support of the two Balkan customs corridors.

2. European Bank for Reconstruction and Development

44. Within its country strategies and operational programmes, EBRD has considered the priorities and special needs of the affected countries of the region, with due regard to the financing available to them from other sources, both bilateral and multilateral. In this connection, it should be recalled that EBRD has recently approved a number of infrastructure development and trade finance projects in six affected countries (Albania, Bulgaria, Hungary, Romania, the former Yugoslav Republic of Macedonia and Ukraine) for a total amount of more than ECU 2.1 billion (see A/51/356, para. 58).

IV. Participation by the affected States in reconstruction and rehabilitation of the crisis-stricken areas in the former Yugoslavia

45. The General Assembly, in its resolution 51/30 A, called upon the United Nations system to broaden access for suppliers, particularly from the affected countries, to participate actively in the post-conflict reconstruction, rehabilitation and development of the former Yugoslavia. In that regard, updated information was received from the World Bank, UNICEF, WFP and UNHCR, as well as from the Department of Peacekeeping Operations and the Department of Humanitarian Affairs of the Secretariat (see A/51/356, paras. 59-70).

A. Involvement in rendering humanitarian assistance

46. The fourth United Nations consolidated inter-agency appeal for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia, covering the period from January to December 1997, provides a humanitarian assistance programme valued at $554.6 million. As outlined in the appeal, the United Nations programme for the region has been guided by four main objectives: (a) to accelerate the search for the repatriation, return and local reintegration of refugees and displaced persons; (b) to gradually phase down general humanitarian relief assistance through improved targeting of most vulnerable groups in the region; (c) to increase support for capacity-building of governmental and non-governmental institutions; and (d) to step up humanitarian demining activities. The efforts made by the international community in 1996-1997 have resulted in concrete improvements in many sectors, especially housing and infrastructure rehabilitation in a significant number of affected areas. In that light, agency programming through 1997 has evolved to reflect several new developments, including an increased orientation towards reconstruction projects and confidence-building measures, support for capacity-building of local authorities in the health, education and social welfare sectors, improved targeting of beneficiaries and more consolidated and integrated projects oriented towards employment/income generation. Thus far, the appeal has garnered approximately 50 per cent of total funding requirements. It remains critical that strong donor support be maintained to enable the humanitarian agencies

involved in the process to ensure the delivery of the humanitarian assistance programme, including, as appropriate, through broadening access for suppliers, particularly from the neighbouring and other affected countries of the region.

1. United Nations Children's Fund

47. UNICEF has been present in the former Yugoslavia since 1991 with emergency interventions and a regular country programme since 1994. With the approval, as appropriate, of the Security Council Sanctions Committee, UNICEF was able to provide the required humanitarian assistance to the country's children during the entire period in which the sanctions were in effect. UNICEF programme assistance to the neighbouring and other countries of the region has been intended to support and strengthen their social sector, in order to ameliorate the impact of primarily economic transition, as well as of external factors such as the war and sanctions related to the former Yugoslavia, on children and women. As a notable example of sanctions-related assistance, UNICEF has provided to the former Yugoslav Republic of Macedonia vaccines that were formerly procured from the Federal Republic of Yugoslavia, as well as essential drugs, support to education and other social services for children and women.

48. Since 1993, UNICEF has conducted extensive supply procurement activities in the neighbouring and other affected countries. Those activities included both procurement of supplies for use in the Fund's emergency and regular programmes in the four countries of the former Yugoslavia, and procurement for the other global activities of UNICEF on behalf of children. The amounts procured during the period from 1993 to 1996 from the following affected countries are: Albania ($74,800); Austria ($18.1 million); Bulgaria ($147,900); the Czech Republic and Slovakia ($4.6 million); Germany ($95.6 million); Greece ($50,600); Hungary ($5.3 million); the Republic of Moldova ($86,600); Romania ($470,100); the former Yugoslav Republic of Macedonia ($178,000) and Uganda ($6.2 million).

2. World Food Programme

49. In the period following the lifting of the sanctions regime, and unrelated thereto, WFP provided emergency food assistance to refugees and internally displaced persons in the former Yugoslav Republic of Macedonia (556 tons of mixed food items worth $475,000) and to people affected by the civil strife and destitution in Albania (7,440 tons of mixed food items worth $3.7 million). In addition, WFP has continued to purchase, on the basis of international competitive tenders, foodstuffs from the countries of the region for its emergency feeding operations, particularly in the former Yugoslavia. During the last 12 months, WFP purchased 2,200 tons of food commodities in Hungary ($360,000) and about 4,000 tons of food items in Germany ($2.5 million). WFP is continuously looking into the possibilities for purchases from the region for food aid requirements for the remainder of 1997 and thereafter.

3. Office of the United Nations High Commissioner for Refugees

50. In 1996-1997, UNHCR continued to promote both local and regional procurement of supplies and services for its programmes in the former Yugoslavia. All potential and qualified suppliers in the countries of the region (Albania, Austria, Bulgaria, the Czech Republic, Greece, Hungary, Italy, Romania and Slovakia) were invited to submit quotations, in compliance with competitive bidding procedures, for the procurement of supplies and relief items necessary for UNHCR programmes in the former Yugoslavia. From May 1996 to June 1997, procurement contracts were awarded to suppliers in the countries of the region for the following items: blankets from Poland and Germany ($1,845,990); office equipment from Austria ($283,140); news wire services from Austria ($24,936); soap from Italy ($493,130); transport and similar services from Italy ($565,790) and Austria ($343,715).

B. Access to supply for the United Nations peacekeeping missions

51. Over the reporting period, the four United Nations peacekeeping missions in the former Yugoslavia continued to play a crucial role in the international community's efforts to foster peace in the region. The United Nations Mission in Bosnia and Herzegovina (UNMIBH) carried out civilian functions mandated by the Security Council, in particular the monitoring of the local police forces. The United Nations Mission of Observers in Prevlaka (UNMOP) continued to monitor the situation on the peninsula. During its second year of operation, the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) successfully held elections in the region, an essential step for further progress in the peaceful reintegration of the region, and an important milestone for the legitimate representation of the local population in the Croatian constitutional and legal system. The United Nations Preventive Deployment Force (UNPREDEP) in the former Yugoslav Republic of Macedonia has continued to

implement all of its mandates in a cost-effective and coordinated manner.

52. In the context described above, the United Nations peacekeeping missions in the former Yugoslavia have continued to issue tenders for their requirements to prospective vendors in all European countries, including those affected by the sanctions. During the period from July 1996 to June 1997, such local procurement was made, *inter alia*, from Austria (48 purchase orders, totalling $515,851), Hungary (5 orders, totalling $26,836), Italy (39 orders, totalling $826,035), Slovakia (4 orders, totalling $33,099), the former Yugoslav Republic of Macedonia (133 orders, totalling $2,497,623) and Turkey (1 order of $158,050).

53. Two other sources of access for suppliers from the affected countries to the United Nations peacekeeping operations in the former Yugoslavia are commercial procurement and letters of assist to Governments through United Nations Headquarters. From July 1996 to June 1997, commercial Headquarters procurement was made, *inter alia*, from Austria (1 purchase order of $63,709), Bulgaria (2 orders, totalling $118,000), Romania (3 orders, totalling $266,500) and Ukraine (6 orders, totalling $1,535,209). Under letters of assist from June 1996 to September 1997, the distribution of requisitions included one from Austria (for $4,700), nine from the Czech Republic ($332,864), four from Germany ($6,488,172), 16 from Slovakia ($2,020,806), 10 from Turkey ($526,895) and 14 from Ukraine ($5,346,284). Further possible supplies from the affected countries to peacekeeping missions in the region can be foreseen.

C. Contribution to reconstruction and development efforts

54. Following the signing of the Dayton/Paris Peace Agreement in November/December 1995, the international community endorsed a $5.1 billion Priority Reconstruction and Recovery Programme for Bosnia and Herzegovina (1996-1999). The European Commission and the World Bank assumed the lead role in coordinating donor support and providing finance for the reconstruction effort. Two donor conferences co-hosted by the Commission and the Bank at Brussels, in December 1995 and April 1996, led to total commitments of over $1.9 billion in concessional assistance by some 60 bilateral and multilateral donors for immediate reconstruction activities in the country in 1996. The funds committed by the Commission and the Bank to meet the external financing requirements for 1996 amounted to some $430 million and $358 million, respectively. On the whole, commitments for multilaterally administered projects accounted for $1.2 billion, or 61 per cent of the total commitments for reconstruction activities, while the remaining $739 million was committed on a bilateral basis. An additional $132 million was earmarked for peace implementation activities. By the end of 1996, more than half of the total commitments from all sources ($1.1 billion, or 54 per cent) was disbursed and two thirds of committed donor assistance for financing civil works, goods and services, as well as other critical needs ($1.4 billion, or 67 per cent) was being implemented, making the peace dividend tangible. An estimated $914 million was actually expended on the ground.

55. All countries of the region, including all the successor republics of the former Yugoslavia and other countries affected by the sanctions, participated in the conferences and pledged to mobilize funds or provide in-kind assistance for the reconstruction effort in Bosnia and Herzegovina. As at the end of 1996, all such pledges by the affected countries were fully committed, while in many cases their commitments exceeded the originally pledged amounts. Moreover, the bulk of the funds committed by the countries of this group were either under implementation or had been disbursed by the end of 1996. Among bilateral donors, committed amounts were fully or largely disbursed, *inter alia*, by Albania ($20,000), Austria ($16.5 million), Bulgaria ($30,000), Croatia ($7 million), the Czech Republic ($6.3 million), Germany ($38.6 million), Greece ($7 million), Hungary ($1 million), Italy ($11.4 million), Slovakia ($1.5 million), Slovenia ($3.1 million) and Turkey ($2.7 million). The nature of the contributions was broadly consistent with the 1996 programme, reflecting the high priority both the authorities and the donors attached to the areas of housing, industry/finance and government/social support, where larger-than-envisaged donor assistance gave implementation an important head start. While overall financing needs were met, certain mismatches between sectoral requirements and funding occurred, most notably in rehabilitation of transport and energy infrastructure. On the ground, international agencies were instrumental in helping establish local capacity to implement and oversee the reconstruction effort (e.g., in funding recurrent and local costs by employing local companies and personnel to the extent possible). However, specific data on procurement of products and services from neighbouring and other affected countries were not available.

56. A third donor conference, held in Brussels on 23 and 24 July 1997, mobilized a further $1.1 billion in donor support for reconstruction and some $140 million for peace implementation activities in 1997. Part of those funds have

already been committed and major donors have already been engaged in the allocation of their pledges, since the beginning of the year. An estimated $1.4 billion will be needed to meet the 1997 reconstruction requirements in the following priority areas: (a) facilitating the return and reintegration of refugees (including housing, jobs and basic social services); (b) reconstruction of the war-devastated infrastructure (including energy, transport and communications); (c) rehabilitation of social sectors (including schools and health facilities); (d) employment creation through private and financial sector development; and (e) institution-building and policy reform to facilitate the country's transition to a market economy. The European Commission and the World Bank will continue their close partnership to mobilize donor financing for these priorities. The Bank will focus its resources on support for policy reforms, especially in the areas of public finance and private-sector development, as well as community development programmes and key infrastructure investments. The Commission will concentrate mainly on programmes to facilitate refugee return and reintegration. Other agencies playing an important role in coordinating support for the reconstruction effort on a sectoral basis are FAO, WHO, ILO, UNESCO and UNHCR, as well as UNDP.

57. The conference noted that the challenges of reconstruction of Bosnia and Herzegovina remain formidable. On the country's side, cooperation between the entities and the different levels of government, sustainable government policies, good governance, including transparency and accountability in the use of donor funds, and strengthened local capacity are all essential for achieving results in the reconstruction effort. Similarly, on the donors' side, adequate and timely funding of the reconstruction programme on concessional terms, projects that address the priority needs and provide for appropriate regional allocation of resources, and strong donor coordination through the established task forces are also key to success. While significant donor resources will be required for the next several years, these inflows must progressively be complemented and eventually replaced by domestic resources and private foreign flows. While 1996 was a year of transition from emergency aid to reconstruction assistance that builds economic capacity, 1997 should mark a shift to sustainability as both an objective of, and a prerequisite for, donor support. In this context, donor-funded sustainable projects accompanied by policy and institutional reforms should lead to an open, restructured economy, increasingly integrated with the rest of Europe and capable of sustaining growth into the future.

V. Conclusions

58. The actions taken by the Security Council to suspend and, subsequently, to terminate the economic sanctions against the Federal Republic of Yugoslavia have opened the way for the gradual resumption of economic relations with and especially transit traffic through the target country, thus considerably easing the burden on the neighbouring and other States of the region that have been adversely affected by the implementation of the sanctions during the period in which the sanctions regime was in effect. Accordingly, the Security Council Committee established pursuant to resolution 724 (1991) concerning Yugoslavia was dissolved in November 1996. As one of the lessons learned from the Yugoslav sanctions experience, the Committee, in its final report, recognized that mitigating the adverse effects of sanctions on third countries is a serious issue that needs to be carefully considered in implementing economic sanctions.

59. In their communications to the Secretary-General, two affected States (Bulgaria and Ukraine) have asserted that they have incurred significant economic losses as a result of the severance of economic relations with the Federal Republic of Yugoslavia and particularly the disruption of traditional transport links in the region during the period in which the sanctions were in force, and that they have not received adequate assistance as compensation for their losses. In view of the long-term impact of the sanctions on their overall economic and social situation, these States call upon the international community to show political will for the establishment of a complex and effective mechanism to address the special economic problems of the affected third States. Following the termination of the sanctions regime, particular importance is assigned to the need for enhancing regional economic cooperation, especially in the fields of transport and infrastructure development and trade and investment promotion, as well as facilitating participation of the affected countries in the reconstruction effort in the former Yugoslavia.

60. Because of the limited number of replies received by the Secretary-General from the donor States, it is not possible to assess fully the level of bilateral economic assistance provided to the affected countries in the period following the lifting of the sanctions. The communications received do not specifically indicate the assistance directly intended to address the special economic problems arising from the implementation of sanctions, but rather refer to the ongoing assistance activities by donors in support of the transition process in the affected countries of the region. Although many reported projects had not been intended as special assistance measures directly aimed at mitigating the

negative side effects of the sanctions regime and its consequences, they should have yielded indirect positive impact on the affected countries. Moreover, the continued donor support for the reconstruction process in the former Yugoslavia as well as other regional cooperation programmes should ultimately benefit all the countries of the region.

61. The relevant components of the United Nations system, including the international financial institutions, continue to implement, within their respective mandates, existing facilities and available resources, substantial programmes of financial and technical assistance in the affected countries. In response to the renewed appeals for special economic assistance, these programmes have been reviewed, as appropriate, in order to make them as responsive as possible to the particular problems of the countries concerned. Although the bulk of such activities were not directly related to the consequences of the sanctions, they have contributed to the economic recovery in the affected countries, thus indirectly offsetting some of their special economic problems resulting from the sanctions. However, new and additional financial resources from all potential funding sources continue to be needed to address a variety of persisting economic problems of the affected States, in particular the long-term effects of sanctions on their economies.

62. Specific concerns of the affected countries in the areas of transport and infrastructure development as well as trade and investment promotion have been pursued through special regional initiatives and assistance arrangements under the auspices of OSCE, the European Union and EBRD and in cooperation with other regional organizations. The European Union's PHARE and TACIS programmes have been crucial in financing a series of short-term projects for road rehabilitation and upgrading, border-crossing modernization and supply of customs control and communication equipment in the affected neighbouring countries. However, substantial additional resources are needed to carry out longer-term transport and infrastructure projects, which are particularly important for the functioning of the priority transport and customs corridors in the region. Within regional priorities, continued bilateral donor support, participation of regional development and investment banks and private-sector involvement would be essential for developing cross-border cooperation, upgrading infrastructure and promoting trade and investment in the Balkans.

63. The neighbouring and other affected countries should be encouraged to participate more actively in the international support for the rehabilitation, reconstruction and development efforts in the former Yugoslavia. As the focus of the United Nations humanitarian assistance programme in former Yugoslavia has shifted from an emergency relief operation to providing for the return of refugees and displaced persons and supporting capacity-building, these longer-term support projects open new possibilities for the suppliers from the neighbouring and other affected countries. Moreover, the United Nations peacekeeping missions in the region continue to issue tenders for meeting their requirements through commercial procurement and government service, which are open to all European countries, including those affected by the sanctions. Furthermore, in implementation of the economic reconstruction programme for Bosnia and Herzegovina, effective mobilization and coordination of assistance and co-financing of projects under the auspices of multilateral agencies should facilitate appropriate regional allocation of resources and increase transparency in procurement of products and services, including procurement from neighbouring countries. The current emphasis placed by the international donor community on supporting sustainable investments and reforms in the country will help restore and promote further economic cooperation with and among all States of the former Yugoslavia as well as other countries in south-eastern Europe as an important contribution to stability and prosperity in the Balkan region.

Notes

[1] Specifically, the termination relates to the measures that were imposed by or reaffirmed in Security Council resolutions 757 (1992), 787 (1992), 820 (1993), 942 (1994), 943 (1994), 988 (1995), 992 (1995), 1003 (1995) and 1015 (1995).

[2] Other affected countries, that referred on various occasions to their economic difficulties in connection with the sanctions regime, include Austria, Croatia, the Czech Republic, Germany, Greece, the Republic of Moldova and Turkey.